

Perpetual Institutional Monthly Update

September 2010 For the use of institutional investors only

Australian Equities

The S&P/ASX 300 Accumulation Index rose 4.8% over the month. Industrials (+3.9%) underperformed resources (+7.0%), whilst smaller companies continued to outperform the larger caps. Investor risk appetite returned to the market after fears about the growth of the global economy began to subside. Additionally, the prospect of greater liquidity through a second round of quantitative easing in the United States buoyed market sentiment. As a result of the recent rally, the Australian share-market is now approaching fair value (using a forward PE of the S&P/ASX 200 Index). Its long-run average is 14 times. However, the dividend yield on stocks relative to fixed interest alternatives remains attractive. Importantly, commodity prices, which are a key lead indicator for our market, remain firm.

Gross returns for periods ending Sep 2010	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Wholesale Australian Share Fund	4.7	6.6	-2.8	3.9	6.9	-3.7	5.9	12.4	11.9
S&P/ASX 300 Accumulated Index [^]	4.8	8.3	-3.8	0.7	4.5	-7.3	4.2	10.0	7.7
Excess	-0.1	-1.7	1.0	3.2	2.4	3.6	1.7	2.3	4.2
Wholesale Concentrated Equity Fund	4.5	7.3	-2.8	4.6	8.1	-2.0	7.2	12.3	13.0
S&P/ASX 300 Accumulated Index [^]	4.8	8.3	-3.8	0.7	4.5	-7.3	4.2	10.0	7.7
Excess	-0.2	-1.0	1.0	3.9	3.6	5.3	3.0	2.3	5.3
Wholesale Smaller Companies Fund	8.0	16.2	8.6	14.0	8.7	-3.3	7.5	12.4	15.8
S&P/ASX 300 Smaller Companies Accumulated Index	9.1	16.8	3.3	6.6	6.4	-9.5	3.4	9.2	7.7
Excess	-1.1	-0.6	5.3	7.3	2.3	6.2	4.0	3.1	8.1
Wholesale Ethical SRI Fund	4.0	6.3	-3.5	6.6	14.0	-2.3	8.6	13.4	-
S&P/ASX 300 Accumulated Index [^]	4.8	8.3	-3.8	0.7	4.5	-7.3	4.2	10.0	-
Excess	-0.7	-2.0	0.3	6.0	9.5	5.0	4.4	3.4	-
Wholesale Quantitative Long Short Fund	5.7	9.4	-2.4	0.6	-3.2	-11.8	3.8	-	-
S&P/ASX 300 Accumulated Index [^]	4.8	8.3	-3.8	0.7	4.5	-7.3	4.2	-	-
Excess	0.9	1.1	1.4	-0.1	-7.7	-4.5	-0.4	-	-

International Equities

Global equities rose strongly over the month, with the S&P500 having their best September since 1939 after rallying 8.8%. The majority of economic releases over the month were ahead of expectations, and the market responding positively to the Fed's commitment to provide further monetary stimulus to maintain growth momentum. Major indices also gained across the board, led by the NASDAQ, with a gain of 12.0%. The FTSE100 and Nikkei225 also performed strongly, gaining 6.2% each. The AUD finished the period 8.8% stronger against the US dollar, detracting from the returns for domestic investors with assets held offshore. The International Share Fund underperformed in September. Contributors to performance included strong performance from Walgreen, McGraw Hill and Staples. However, these positives were offset from falls in some of our larger holdings including Nestle, Wal-Mart and Microsoft.

Gross returns for periods ending Sep 2010	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
International Share Fund	0.1	-2.8	-7.6	-3.8	-9.4	-9.0	-2.2	-	-
MSCI World ex Aust. Accumulation Index (\$A)	0.3	-1.1	-5.8	-2.8	-8.3	-11.2	-3.6	-	-
Excess	-0.2	-1.8	-1.8	-1.0	-1.1	2.2	1.5	-	-
International Concentrated Fund	0.1	-2.8	-7.5	-2.7	-9.6	-8.9	-	-	-
MSCI World ex Aust. Accumulation Index (\$A)	0.3	-1.1	-5.8	-2.8	-8.3	-11.2	-	-	-
Excess	-0.2	-1.7	-1.7	0.1	-1.4	2.3	-	-	-
Global Resources Fund*	5.7	13.1	0.5	10.7	4.6	0.9	-	-	-
MSCI Custom Resources Index ¹	3.1	4.1	-5.8	5.2	2.2	-6.6	-	-	-
Excess	2.6	9.0	6.2	5.5	2.4	7.5	-	-	-

* Please note that this fund is managed by the Australian Equities team.

Diversified Funds

The Balanced Growth Fund returned 1.9% over the month, outperforming the benchmark by 0.1% over the month. The outperformance was driven by strong asset allocation in Australian equities which performed strongly through the month. Meanwhile, stock selection was weak, with our outperformance in bonds being offset by underperformance in both the Australian and Global Equity portfolios. The fund remains overweight Australian equities, driven by positive value and momentum signals. Bonds are also being held overweight with cycle scores remaining strong.

Gross returns for periods ending Sep 2010	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Wholesale Conservative Growth Fund	0.7	2.0	2.0	5.6	5.6	3.6	5.9	7.4	-
Conservative Growth Index	0.5	2.2	2.1	5.0	4.3	1.5	4.8	6.4	-
Excess	0.2	-0.1	0.0	0.7	1.3	2.1	1.1	1.0	-
Wholesale Diversified Growth Fund	1.3	2.4	0.5	4.6	3.4	1.1	4.6	7.3	-
Diversified Growth Index	1.1	2.7	0.5	4.1	2.6	-1.4	3.6	6.0	-
Excess	0.2	-0.3	-0.1	0.5	0.8	2.6	1.0	1.2	-
Wholesale Balanced Growth Fund	2.0	2.5	-1.1	3.4	1.5	-2.2	3.3	7.5	5.7
Balanced Growth Index	1.8	3.2	-0.3	3.4	1.9	-3.6	3.2	6.6	4.4
Excess	0.2	-0.7	-0.8	0.0	-0.4	1.4	0.1	0.9	1.3

Fixed Income Funds

The Australian credit market on the whole remained resilient to the volatile sentiment and the broader macro risks during the month. Spreads (as measured by the iTraxx Australian Index of CDS spreads on 5 year margin of 25 major Australian banks and corporates) finished the month tighter by 13 basis points to the closing level of 118 basis points on improved risk sentiment after trading within a 20 basis points range intra month. Physical spreads of 'A' rated securities, as represented by the UBS Australia Corporate A Index, were stable trading at a narrower range closing 5bps tighter. The Diversified Income fund outperformed due to the strong running yield and the contraction in credit spreads across most sectors; The largest contributors to performance include both the offshore and the domestic bank sectors and the prime RMBS sector.

Gross returns for periods ending Sep 2010	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Premium Treasury Fund	0.6	1.9	3.2	7.5	5.9	5.5	5.8	-	-
UBS Bank Bill Index	0.4	1.2	2.3	4.3	4.3	5.4	5.7	-	-
Excess	0.3	0.7	0.8	3.2	1.6	0.1	0.0	-	-
High Grade Treasury Fund	0.6	2.1	3.4	8.4	6.0	4.9	5.4	-	-
UBS Bank Bill Index	0.4	1.2	2.3	4.3	4.3	5.4	5.7	-	-
Excess	0.3	0.9	1.0	4.1	1.7	-0.5	-0.4	-	-
Credit Income Fund	1.0	2.7	3.9	11.9	6.1	3.7	4.3	-	-
UBS Bank Bill Index	0.4	1.2	2.3	4.3	4.3	5.4	5.7	-	-
Excess	0.6	1.5	1.6	7.6	1.8	-1.7	-1.4	-	-
Wholesale Diversified Income Fund	0.8	2.5	4.4	11.7	6.1	3.9	-	-	-
UBS Bank Bill Index	0.4	1.2	2.3	4.3	4.3	5.4	-	-	-
Excess	0.5	1.3	2.1	7.4	1.8	-1.5	-	-	-
Active Fixed Interest Fund	-0.6	1.9	5.6	9.1	9.2	7.9	6.4	-	-
UBS Composite Bond Index	-0.9	1.3	4.9	7.3	7.2	7.6	6.2	-	-
Excess	0.3	0.6	0.7	1.7	2.0	0.3	0.2	-	-

Returns shown for the funds have been calculated using exit prices and assuming the re-investment of distributions with no allowance made for contribution or withdrawal fees or taxation. For institutional investor purposes, no allowance has also been made for management fees. Past performance is not indicative of future performance.

Equities

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^ Benchmark prior to 1/4/2000 was the ASX All Ordinaries Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Accumulation Index.

¹ The MSCI Custom Resource Index is comprised of 75% Metals and Mining / Coal and Consumable Fuels, and 25% Energy Equipment and Services and Industry / Gas and Consumable Fuels (excluding Coal and Consumable Fuels). It is based on free float adjusted market capitalisation (unhedged in AUD).

INVESTING FOR GENERATIONS

